

**Testimony of Jon Reelhorn  
to the  
House Committee on Agriculture  
Fresno, CA  
May 3, 2010**

Thank you, Chairman Peterson, Ranking Member Lucas, and Congressmen Costa and Cardoza, for this opportunity to present testimony on behalf of the U.S. nursery and greenhouse industry on what the 2008 Farm Bill has meant to our industry, and the next Farm Bill cycle. I am Jon Reelhorn, owner of Belmont Nursery, a growing and retail nursery business operating right here in Fresno. We are a family owned business that supplies trees, shrubs and flowers to garden centers, landscape professionals and homeowners through out Northern and Central California.

My remarks today are offered on behalf of the American Nursery & Landscape Association (ANLA) and the California Association of Nurseries and Garden Centers (CANGC), which I am representing here today. The issues I plan to cover are also priorities of the Society of American Florists (SAF). ANLA, SAF, and CANGC worked together on the 2008 Farm Bill's specialty crop provisions. We join in thanking the Committee for crafting a Farm Bill that for the first time recognizes our industry in a serious way. We look forward to close collaboration with each of you as the 2012 Farm Bill discussion proceeds.

The nursery and greenhouse industry is a bright spot in U.S. specialty crop agriculture. The combined U.S. nursery, floriculture, and landscape industry, collectively known as the "green industry," has an estimated economic impact of \$147.8 billion<sup>1</sup>. The industry employs 1.95 million individuals, generates \$64.3 billion in labor income, and provides \$6.9 billion in indirect business taxes. Products and services offered by the green industry directly contribute to production of apples, citrus, grapes, strawberries, and other food crops; to sustaining our environment; and to improving the quality of life in rural, suburban and urban communities. Landscape plants provide ecosystem service benefits that range from reducing energy needs, to fostering carbon sequestration, and improving water quality and storm water management.

U.S. nursery and floriculture crop production represents a major component of the nation's specialty crop agriculture. According to the USDA's 2007 Census of Agriculture, nursery, greenhouse and floriculture annual crop sales totaled over \$16.6 billion at farm gate. Nursery and greenhouse crop production now ranks among the top five agricultural commodities in 28 states, and among the top 10 in all 50 states. The sector represents roughly a third of the value of all specialty crop production in the U.S.

Not surprisingly, California is the number one state for both nursery and floral crop production. A recent economic report placed production figures at roughly \$4 billion and retail sales at over \$13 Billion. Wholesale production in California represents over 20 percent of the nation's production of nursery crop. Nurseries and garden centers employ over 217,500 Californians.

**The Farm Bill and the Nursery Industry**

The U.S. nursery industry has developed and thrived without the influence of market-distorting subsidies, price supports, or similar programs. Most wish to keep it that way. Consistent with this history and philosophy, our priorities in the 2008 Farm Bill focused on critical infrastructure and programs to deal with plant pest and disease threats, and to fund needed research. Global trade and travel have accelerated the pace of new pest introductions. Given the diversity of crops that the industry produces, virtually every new plant pest that arrives and establishes in the U.S. becomes a production or market access problem for the nursery industry. Emerald ash borer, Asian longhorned beetle, and the pathogen responsible for “sudden oak death” are just a few examples with which the industry is struggling. The 2008 Farm Bill did several positive things relating to the serious threat of plant pests and diseases:

- Section 10201 provided critical funding and direction for innovative initiatives to identify and mitigate offshore threats, and improve pest detection and rapid response in the U.S. So far, USDA’s Animal & Plant Health Inspection Service has set priorities based upon six goal areas drawn directly from the language of the Farm Bill. While this is long-term work, and success at prevention is not always easy to measure, we believe APHIS has done a good job of involving stakeholders in an open and transparent process for identifying and funding the best ideas to accomplish the goals.

Specific projects under the “Safeguarding Nursery Production” goal are setting the stage for a modernized system for the certification of nursery crops moving in interstate and international commerce. Also, the newly established “National Ornamentals Research Site at Dominican University of California” is facilitating critically needed research on quarantine pest prevention and containment under real-world conditions.

Other specific 10201 projects are of critical importance in helping USDA to identify potential threats to U.S. agriculture before they come into our ports, rather than after they have become crises because they were introduced through travel or trade. Strategic research on pest threats which might reach our shores in the next few years is essential to our ability to avoid introduction, or to eradicate pests or diseases quickly if they do arrive here.

- Section 10202 of the Farm Bill established the National Clean Plant Network (NCPN). The NCPN was created to protect U.S. specialty crops, such as grapes, nuts, apples, peaches and other fruits, from the spread of economically harmful plant pests and diseases. The NCPN will contribute to the global competitiveness of U.S. specialty crop producers by creating high standards for our clean plant programs for these vital crops. The program will improve U.S. growers’ access to the newest and most profitable plant varieties from around the world, without the devastating plant diseases that exist elsewhere in the world.

Effective clean plant programs are essential to preventing catastrophic pest and disease problems and to maintaining U.S. agricultural competitiveness. In California, wine and table grape growers in particular depend on the introduction of foreign selections, and demand for new varieties has exceeded the capacity of existing clean plant programs. When demand for new foreign selections is high but legal channels are insufficient, some growers resort to illegal importation of plant materials. Grapevine mealy bug, a new pest problem that is approaching epidemic status in California, is suspected to have been introduced in

illegally imported grapevine planting stock that was smuggled into the U.S. from Australia, most likely due to the impatience of the importer. Plum pox in New York and Pennsylvania is another example of where illegal importation threatened an industry.

The establishment and maintenance of the National Clean Plant Network was one of our highest Farm Bill priorities. We are truly impressed with the progress that has been made already on this program.

- In Section 10203, Congress intended the Secretary of Agriculture to be the final word on emergency pest funding decisions. In California, we have witness time and again where the experts at fighting pests are overruled by the Office of Management and Budget. The result has been delayed funding and more pests. We appreciate this Committee's efforts to correct this bureaucratic problem. Early indications suggest that OMB remains the final word and we would ask that you closely monitor this situation.

### **Specialty Crops Research Initiative**

We appreciate the recognition, through the Specialty Crops Research Initiative in the 2008 Farm Bill, of the need for research funding to support the Specialty Crops industry. We remain concerned, however, with the required 1:1 funding match for these grants. This requirement puts specialty crop growers at a disadvantage as these grants are multi-year, and most traditional industry funding sources (including our own research endowments, the Horticultural Research Institute, and the American Floral Endowment) cannot commit funding for multiple years. We are also concerned that the match requirement, as implemented, is placing USDA-ARS and other federal partners on a less-than-competitive playing field because other federal funds and resources cannot be used to meet the matching requirement.

A longer term concern with the creation of the National Institute for Food and Agriculture – NIFA – is that the move toward long term, systems competitive funded research reduces funding that could be applied to meet immediate or quickly emerging research needs, such as those resulting from the introduction of invasive pest species. We feel that it is critical for USDA to maintain and increase funding efforts for its intramural research agency, USDA-ARS, in a balanced way with respect to competitive funds available through NIFA. Increased funding is also needed for the formula-funded Smith-Lever and Hatch Act as these programs provide for the base research and educational delivery infrastructure for Cooperative Extension and State Experiment Station programs. If we allow our national research infrastructure to deteriorate for lack of funding for traditional pest and disease research, we will not easily be able to rebuild it.

### **Biomass Crop Assistance Program**

While many provisions of the 2008 Farm Bill are already making a positive difference, we must alert you to a serious potential unintended consequence of one particular program, the Biomass Crop Assistance Program, or BCAP. While the program's goals are worthy, the potential diversion of certain forestry byproducts – most notably softwood and hardwood bark – from established value-added markets could devastate nursery producers across the U.S. for

these simple reasons: most nursery crops are now grown in containers, and the single most important component of the growing substrate that fills these containers is bark.

Over 70 percent of the nursery crop and 100 percent of the greenhouse crop production in the U.S. is now grown in containers. The major ingredients for the growing media used in container production – “substrates” – are various bark based formulations. Diversion of bark supplies for other uses, or a sharp and significant change in their market price due to market-distorting subsidies, therefore threatens the domestic nursery and greenhouse industry and much of the \$16.6 billion dollars in annual nursery and greenhouse crop sales across the country. Market price distortions or diversion of bark resulting from inclusion in the BCAP will seriously impact domestic production and could fuel loss of market share to imports from Canada and elsewhere.

It is worth noting that already, over 95% of bark byproducts have established markets. Roughly 83% of softwood bark, and 70% of hardwood bark, is already used for energy generation. In this respect, BCAP subsidies would seem to represent a solution in search of a problem. ANLA recently submitted official comments to USDA’s Farm Service Agency, in which we offered a series of recommendations on how to address this concern. While the issue is now in the regulatory realm, we are grateful for the opportunity to alert the Committee to the potential unintended consequences that will result if bark and other wood waste materials with established markets are included in the BCAP.

### **Agricultural Labor and Immigration Policy**

As important as the Farm Bill has become to America’s specialty crop industries, it is difficult to have a serious discussion about the future success of specialty crop producers without acknowledging the elephant in the room: farm labor. Hired labor is critical to most specialty crop producers, and we now face a “perfect storm” characterized by the following:

- For at least the last 12 years, a significant majority of workers who plant, harvest, and tend specialty crops and livestock lack proper immigration status even though most employers fully comply with the law when hiring;
- The recession has done virtually nothing to change the reality: few Americans seek farm work, most farm workers are foreign born, and most lack proper immigration status;
- Aggressive worksite enforcement that began near the end of the Bush Administration has accelerated under the Obama Administration. Specialty crop and dairy producers are especially vulnerable. Farmers are one I-9 audit away from disaster.
- The only legal labor safety net, known as H-2A, has long been difficult and unattractive. Producers are now struggling through the third set of rules in three years. The program has descended into regulatory chaos.

We fully recognize that farm labor is not a traditional Farm Bill issue. Nonetheless, we raise it for this simple reason: lack of timely and thoughtful resolution of the farm labor crisis will hasten the offshoring of our specialty crop and livestock agriculture. As production shifts to Canada or Mexico or Chile or China, America will lose thousands upon thousands of U.S. jobs upstream and downstream of the farmer that exist here now because we are producing here. We respectfully urge your leadership and support for enactment of the bipartisan and urgently

needed reforms of the AgJOBS bill, H.R.2414, whether as part of a comprehensive immigration reform bill, or a smaller first step toward fixing our broken immigration system.

## **Conclusion**

Members of the Committee, thank you for this hearing, and for listening to the views and needs of the U.S. nursery industry. The 2008 Farm Bill for the first time truly recognized the importance of specialty crops, including nursery and floriculture. Together, specialty crops now represent almost half of the value of total crop production in America, and the specialty crop title of the 2008 Farm Bill placed emphasis on practical, solutions-oriented programs. We recognize that the next Farm Bill cycle will be exceptionally difficult from a budgetary standpoint. We thank you for your work to date, and hope you will join together to protect specialty crops' place at the table going forward.





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April 9, 2010

Director of CEPD  
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Dear Sir or Madam:

This letter is in response to the proposed rulemaking for the **Biomass Crop Assistance Program (BCAP)** – Docket Folder **CCC FRDOC 0001-0145**). These comments are being filed by the American Nursery and Landscape Association (ANLA), the national trade association representing nursery crop producers, landscape design, build and maintenance companies and independent retail garden center businesses. This official submission is also fully supported by the Society of American Florists (SAF), the national trade association representing the entire floriculture industry. SAF membership includes small businesses, including growers, wholesalers, retailers, importers and related companies that produce and sell cut flowers and foliage, foliage plants, potted flowering plants, and bedding plants.

The combined U.S. nursery, floriculture, and landscape industry, collectively known as the “green industry,” has an estimated economic impact of \$147.8 billion according to 2005 survey and analysis, *Economic Impacts of the Green Industry in the United States*. In addition, the industry employs 1.95 million individuals, generates \$64.3 billion in labor income, and provides \$6.9 billion in indirect business taxes. Products and services offered by the green industry directly contribute to the U.S. food supply (e.g., fruit tree planting stock), to sustaining our environment, and to improving the quality of life in rural, suburban and urban communities. Ecosystem service benefits of landscape plants include reducing energy needs, fostering carbon sequestration, and improving water quality and storm water management.

U.S. nursery and floriculture crop production represents a major component of the nation’s specialty crop agriculture and the “green industry.” According to the USDA’s 2007 *Census of Agriculture*, nursery, greenhouse and floriculture annual crop sales totaled over \$16.6 billion at farm gate. Nursery and greenhouse crop production now ranks among the top five agricultural commodities in 28 states, and among the top 10 in all 50 states. The sector represents roughly a third of the value of all specialty crop production in the U.S. Nursery and floriculture production is the top-ranking agricultural

sector in several states, ranging from Connecticut, Massachusetts, and Rhode Island in the Northeast, to Oregon in the Northwest.

As an energy intensive “green industry”, we support the President’s and USDA’s efforts to increase the availability of alternative energy sources, such as biomass, to help reduce the U.S. dependence on foreign energy sources. Therefore, as a matter of principle we do support the biomass energy Section 9001 of the 2008 Farm Bill. We are very concerned, however, about the BCAP Federal subsidy for the redirection of wood and wood waste materials, **specifically bark, bark based materials and mulch** from an existing and established, value added marketplace to the generation of energy. This will result in market dislocations, supply shortages and possible elimination of these materials for use by all business sectors of the green industry, leading to serious unintended economic and environmental consequences.

Specifically, over 75 percent of the nursery crop and 100 percent of the greenhouse crop production in the U.S. is now grown in containers. The major ingredients for the growing media used in container production – “substrates” – are various bark based formulations. Diversion of bark supplies for other uses, or a sharp and significant change in their market price due to market-distorting subsidies, threatens most of the domestic nursery and greenhouse crop production industry and will jeopardize most of the \$16.6 billion dollars in annual nursery and greenhouse crop sales across the country. This will result in major economic dislocations in many rural areas of the U.S. as nursery and greenhouse crop producers are major employers of both seasonal and permanent help in these locations.

As a result of the current economic recession, the nursery and greenhouse industry is already experiencing economic distress. Market price distortion or diversion of bark resulting from inclusion in the BCAP will seriously impact domestic production and drive loss of market share to imports from Canada and elsewhere. Our ANLA members have already received notification from their bark suppliers about future product shortages and complete unavailability of bark, bark based materials and landscape mulch. An industry survey conducted in March, 2010 indicated that 95% of the nursery and greenhouse crop producers do not have access to a viable, alternative replacement for bark and bark based nursery and greenhouse crop substrates.

Even before the passage of the Section 9001 of the 2008 Farm Bill, the national nursery industry was concerned about the future availability of these wood waste materials because of long-term structural changes within the forestry industry and the use of bark as a fuel source at wood products production facilities. An industry study – “Estimation of U.S. Bark Generation and Implications for Horticultural Industries” (2006) indicated that since the 1980’s more than 95 percent of the U.S. bark supply has been utilized in some way as a “value added product” or market. Industrial fuel consumption already consumes the largest share for bark, absorbing 83 percent of softwood bark and 66 to 71

percent of hardwood bark. Since there is already an established, competitive marketplace for use the wood waste materials as a fuel source for energy production, it is counter productive for this marketplace to be federally subsidized through BCAP funding.

Recognizing the long term impact of current and future bark supplies going for energy production, the nursery industry launched a collaborative research project involving USDA ARS, land-grant universities and industry, to look at the development of alternative, sustainable replacements for bark in substrates. This project has been underway for two years. At the present time, however, there are no viable marketplace alternatives available for bark materials to be utilized in the production of containerized nursery and greenhouse crops. Development of viable alternatives will take time and sustained research investment.

In addition to the very negative economic impact that possible BCAP subsidies for bark based wood materials would have on the production of nursery and greenhouse crops, other segments of the green industry which rely on these materials will suffer. Landscaping firms depend upon the availability of bark mulch and mulch based material in the establishment and maintenance of plant material in commercial and consumer landscapes. Retail garden centers rely on the sales of bark mulch and mulch based materials for a large portion of their gross consumer sales in the active spring and fall gardening seasons. A March, 2010 industry survey indicated that 60% of the retail garden center respondents have been told by their suppliers to expect a price increase for future purchases, or warned of unavailability, of wood-based mulching materials. Organic mulches used in landscape settings are environmentally important. These materials contribute to water conservation, reduction in use of chemical herbicides, and prevention of soil erosion. Their diversion from established use patterns will have negative environmental consequences.

In regard to the application of BCAP subsidies for bark, bark based and mulching materials we respectfully request the following action in the drafting of the final Rule by the USDA Farm Service Agency.

1. Remove bark, bark based materials, landscape mulching materials, softwood chips and forest thinnings from the list of biomass materials eligible for BCAP programs.
2. Clearly define as *high-value/established market materials* the use of bark, bark based materials and landscape mulch and nursery and greenhouse growing media substrates. In PART 1450, Subpart A, Section 1450.2 add a specific definition of "Value – Added" and "Currently Established Markets." Include bark, bark based materials landscape mulch and bark based nursery and greenhouse growing media substrates as *value – added* and *established*



*marketplace* products, – recognizing that there already exists an established, functioning, competitive marketplace for these materials.

3. Under the definition of “Renewable Biomass” in Section 1450.2, we suggest that specifically define the concept/term of “higher – value products” to include bark, bark based materials, landscape mulch and nursery and greenhouse growing media substrates.
4. Conduct an economic impact study. We request that USDA FSA ask that the U.S.D.A. Office of Chief Economist, in cooperation with the USDA Economic Research Service, conduct a cost/benefit analysis of the market place and economic impact BCAP subsidies on the use of “wood waste” materials. The Cost Benefit Analysis, conducted by the Office of Management and Budget under Executive Order 12866, as referenced in 7 CFR Part 1450, Biomass Crop Assistance Program: Proposed Rule does not adequately address all the possible negative economic impacts that BCAP funding will have on agricultural industries who rely on “wood waste” materials, including bark, bark based materials and mulches as “value added” products for the production of agricultural crops.
5. Expand the restriction on the use of BCAP funds on federally and other publically owned lands for “value added” biomass materials and markets to privately owned forest lands.
6. Focus BCAP on the original intent of incentivizing on farm production of new, renewable biomass crops and the expansion of and the proper management of privately owned forest lands.

Both ANLA and SAF stand ready to work with USDA FSA in the rule making process so as to effectively craft BCAP policies which will assist in the reaching of the biomass and energy production goals as outlined in Section 9001. In defense of a \$16.6 Billion nursery and greenhouse specialty crop agricultural product market however, we must continue to register our great concerns for the unintended negative impacts that the BCAP federal subsidy program, as it currently relates to wood based materials, has and will have on the availability of bark, bark based and mulch materials and nursery and greenhouse crop substrates that are a critical input and resource for our industry.

We appreciate your serious consideration of the issues that we have outlined in these proposed Rule comments and look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Teffeu". The signature is fluid and cursive, with the first name "Marc" written in a larger, more prominent script than the last name "Teffeu".

Marc Teffeu  
Director of Research and Regulatory Affairs  
American Nursery and Landscape Association

References:

Hall, Charles R., Hodges, Alan W. and John J. Haydu. 2005. Economic Impacts of the Green Industry in the United States. Final Report to the National Urban and Community Forestry Advisory Committee, U.S. Forest Service.

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2006. Estimation of U.S. Bark Generation and Implications for Horticultural Industries J. Environ. Hort. 24(1):29-34, March 2006.